

Key to edits:

- 1) Base document is draft Affiliate Transaction Rules Applicable to Large California Energy Utilities (see Attachment A to Proposed Decision).
- 2) ~~Text~~ stricken from base document by this ruling.
- 3) Underlined text added to base document by this ruling.



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APPENDIX A

Affiliate Transaction Rules Applicable to Large California Energy Utilities

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IV. Disclosure and Information

~~C. Information a Utility Must Provide to the Commission: Except for information exchanged in the provision of corporate support services permitted by Rule V E below, a utility shall report to the Commission, on a semi-annual basis, any exchange of or discussion about non-public information between employees, consultants, or agents of the utility and employees, consultants, or agents of the utility's parent holding company or any affiliates, whether in person or by other means, if the non-public information concerns:~~

- ~~1. information supplied to the utility from a competitor of the utility's affiliate;~~
- ~~2. negotiations between the utility and a competitor of its affiliate;~~
- ~~3. utility procurement plans for electricity or natural gas, which could include procurement from an affiliate;~~
- ~~4. the utility's operational matters, which could materially affect the utility's affiliate(s) and its competitors;~~
- ~~5. expansion plans of the utility; or~~
- ~~6. the utility affiliate's competition or potential competition with other entities.~~

~~The report shall be provided to the Directors of the Commission's Energy Division and Division of Ratepayer Advocates and shall disclose: the date and place of the exchange or discussion; the names and positions of the people who communicated or received the information; and the nature of the information. The utility shall also retain, for a minimum of three~~

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~~years, copies of any document or other records in its possession or control pertaining to all such exchanges or discussions. The utility shall provide copies of the retained documents or other records upon the request of the Commission or its staff, whether or not in the context of a pending proceeding. Reports and retained documents may be submitted confidentially pursuant to California Public Utilities Code Section 583 and the Commission's General Order 66-C.~~

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V. Separation

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E. Corporate Support: A utility, its parent holding company, or a separate affiliate created solely to perform corporate support services may share with its affiliates only joint corporate oversight, governance, support systems and personnel, as further specified below. Any shared support shall be priced, reported and conducted in accordance with the Separation and Information Standards set forth herein, as well as other applicable Commission pricing and reporting requirements. Such joint utilization shall not allow or provide a means for the transfer of confidential information from the utility to the affiliate, create the opportunity for preferential treatment or unfair competitive advantage, lead to customer confusion, or create significant opportunities for cross-subsidization of affiliates. In the compliance plan, a corporate officer from the utility and holding company shall verify the adequacy of the specific mechanisms and procedures in place to ensure the utility follows the mandates of this paragraph, and to ensure the utility is not utilizing joint corporate support services as a conduit to circumvent these Rules.

Examples of services that may be shared include: payroll, taxes, shareholder services, insurance, ~~cash management, banking relations, communications with rating agencies,~~ financial planning and analysis reporting, corporate accounting, corporate security, human resources (compensation, benefits, and employment policies), employee records,

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regulatory affairs, lobbying, legal and pension and trust management, and corporate compliance with these Rules. However, if within 180 days of the date of the decision adopting these Rule modifications a utility and its parent holding company share any key officers (i.e., the Chair of the entire corporate enterprise, the President or other functional equivalent at the utility and its holding company parent, the chief executive officer at each, the chief financial officer at each, and the chief regulatory officer or other functional equivalent at each), then the following services shall no longer be shared: regulatory affairs, lobbying, and all legal services except those necessary to the provision of shared services still authorized.

Examples of services that may not be shared include: employee recruiting, engineering, ~~regulatory affairs, lobbying, risk management (including hedging and financial derivatives and arbitrage services),~~ gas or electric purchasing for resale, purchasing of gas transportation or storage capacity, purchasing of electric transmission, system operations, and marketing, and all legal services except those necessary to the provision of shared services expressly authorized by the preceding paragraph. However, if within 180 days of the date of the decision adopting these Rule modifications a utility and its parent holding company share any key officers (as defined in the preceding paragraph), the following services shall no longer be shared: regulatory affairs, lobbying, and all legal services except those necessary to the provision of shared services still authorized.

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G. Employees:

1. Except as permitted in Section V E (corporate support), a utility and its affiliates shall not jointly employ the same employees, ~~consultants, and contractors. However, auditors and providers of accounting services shall not be considered consultants or contractors for purposes of this Rule.~~ This Rule prohibiting joint employees also applies to Board Directors, and corporate officers except for the following

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circumstances: In instances when this Rule is applicable to holding companies, any board member or corporate officer may serve on the holding company and with either the utility or affiliate (but not both) to the extent consistent with Rule V E (corporate support). Where the utility is a multi-state utility, is not a member of a holding company structure, and assumes the corporate governance functions for the affiliates, the prohibition against any board member or corporate officer of the utility also serving as a board member or corporate officer of an affiliate shall only apply to affiliates that operate within California.

In the case of shared directors and officers, a corporate officer from the utility and holding company shall describe and verify in the utility's compliance plan required in Rule VI the adequacy of the specific mechanisms and procedures in place to ensure that the utility is not utilizing shared officers and directors as a conduit to circumvent any of these Rules. In its compliance plan, the utility shall list all shared directors and officers between the utility and affiliates. No later than 30 days following a change to this list, the utility shall notify the Commission's Energy Division and the parties on the service list of R.97-04-011/I.97-04-012 of any change to this list. ~~A utility may apply for additional exceptions to this Rule.~~

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VI. Regulatory Oversight

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E. Officer Certification. No later than March 31 of each year, the key officers of a utility and its parent holding company shall certify to the Energy Division of the Commission in writing under penalty of perjury that each has personally complied with these Rules during the prior calendar year. For the purposes of this Rule, key officers include the Chair of the entire corporate enterprise, the President or other functional equivalent at the utility and its holding company parent, the chief executive officer at each, the chief financial officer at each, and the chief regulatory officer or other functional equivalent at each. The certification shall state:

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I, [name], hold the office of [title] at [name of utility or holding company], and occupied this position from January 1, [year] to December 31[year].

I hereby certify that I have reviewed the Affiliate Transaction Rules Applicable to Large California Energy Utilities of the California Public Utilities Commission and I am familiar with the provisions therein. I further certify that for the above period, I followed these Rules and am not aware of any violations of them.

I swear/affirm these representations under penalty of perjury of the laws of the State of California.

[Signature]

[Date]

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